

MidAmerican Energy Company

Iowa Energy Efficiency Experience

March 2005

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MidAmerican's Energy Efficiency Objective

**Assist customers in managing energy use,
reducing costs, improving productivity,
and improving the environment.**

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MidAmerican Background

In 15 years of energy efficiency experience, MidAmerican has built:

Experienced Infrastructure

- Internal staff
- Implementation contractors
- Strong trade ally network
- Local and national partnerships
- Regulatory framework

Successful Programs

- Cost-effective resources
- Significant energy savings
- Satisfied customers
- National recognition

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Delivery Strategy

MidAmerican manages programs with internal staff, but leverages the expertise of outside implementation firms.

Internal Staff:

- Maintain strategic control of implementation
- Rely on competitive process to hire contractors
 - RFP processes
 - Multiple contractors
 - Most benefit for least cost
- Provide implementation “nuts and bolts” when appropriate

Implementation Contractors:

- Provide specialty expertise in delivery (e.g., energy audits, design assistance)
- Provide specialty expertise for support (e.g., advertising, evaluation)
- Share experience gained from working with other programs
- Provide flexibility to meet seasonal program demand

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Trade Allies

MidAmerican maintains a trade ally network of Iowa (and Illinois) businesses that benefit from efficiency programs.

Trade Ally Businesses

- Equipment dealers (lighting, HVAC, etc.)
- Service firms (engineering firms, architects, electricians)
- Real estate developers (home builders and commercial developers)
- Network currently includes 6,500 firms; 40% of which are very active

Network Management

- Maintain adequate coverage (region, type, etc.)
- Exchange information (program rules, new program ideas, etc.)
- Advertising and promotion
- Recognition and awards

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Partnerships

MidAmerican is active in local, regional, and national partnerships that help us improve programs for customers.

Local/State

- ASHRAE
- APEC
- Iowa Home Builders Association
- Iowa Association of Energy Efficiency
- Iowa Energy Center
- Iowa Office of Consumer Advocate
- Iowa Utilities Board
- State universities
- Contractor groups (SMACNA, IHPA)

Regional/National

- Midwest Energy Efficiency Alliance
- Association of Energy Service Professionals
- Consortium for Energy Efficiency
- American Council for an Energy Efficient Economy
- Peak Load Management Alliance
- Association of Energy Engineers
- EPA/Energy Star
- E Source
- US Department of Energy

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Regulatory Framework

Iowa's framework provides utilities the flexibility to succeed, while giving regulators needed information and oversight.

Structure

- Periodic development of 5-year Energy Efficiency Plans, approved through contested cases
- Key planning objective is program cost-effectiveness, from a broad, societal perspective
- Annual reporting on progress
- Contemporaneous cost recovery through energy-based riders
- Waivers and/or modifications for significant deviation from Plan
- Utilities Board can order prudence review

Benefits

- Board and other parties receive needed information without excessive red tape
- Utilities have flexibility to meet changing conditions:
 - Manage to overall budget and goals
 - Pilot programs to test new ideas
 - Waivers or modifications to make piece-wise changes
- Customers benefit from utilities' focus on customers rather than regulators
- Customers benefit from stability of programs

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Cost-Effective Resources

Iowa's programs meet strict cost-effectiveness guidelines to ensure lower costs to customers over the long term.

Approach

- Utilities and regulators coordinate on a joint assessment of potential energy efficiency technologies.
- Utilities screen technologies against their individual avoided supply costs to identify cost-effective measures to include in programs.
- Utilities structure programs including costs for administration, advertising, financial incentives, etc.
- Utilities then screen programs against avoided supply costs to ensure cost-effective programs.

Benefits

- Customers pay for programs and individual measures that cost less than power and gas supply alternatives
- Iowa focuses on societal test, which measures program impacts on society as a whole (including environmental and other externality impacts)
- Iowa also evaluates other cost-effectiveness perspectives, including impacts on utility revenue requirements, utility rates, and program participants

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Energy Savings

The programs significantly reduce MidAmerican's power and gas supply needs and related revenue requirements.

Cumulative savings to date:

- 450 MW
- 600 million kWh/year
- 30 million therms/year
- \$40 million per year in net savings to customers
- Each dollar spent lowers long-term revenue requirements by more than \$2.50

Share of overall supply:

- 13% of peak demand
- 4% of electric sales
- 5% of gas sales

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Customer Satisfaction

Energy efficiency programs contribute to MidAmerican's high customer satisfaction.

Programs help customers:

- Manage energy costs
- Respond to volatile energy costs (e.g., gas price increases)
- Maintain business competitiveness
- Enhance comfort and convenience
- Improve the environment

Participation is widespread:

- In 2004, participation included:
 - 10% of residential households
 - 60% of large industrials
- SummerSaver covers over 20% of single-family homes
- Over 30% of single-family homes have received site-based or on-line energy audits

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Awards

State and national organizations recognize MidAmerican's programs as being among the best in the country.

- Peak Load Management Alliance: Outstanding Achievement Award
- Five Energy Star Awards
- Presidential Energy Efficiency Education Award
- Iowa Governor's Energy Efficiency Leadership Award

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Recommendations

- Recognize that Illinois utilities differ from each other.
 - Customer bases
 - EE expertise
 - Resource needs

One size may not fit all.
- Let MidAmerican expand current programs to benefit Illinois customers as well as Iowa customers.
 - Leverage existing success
 - Gain economies of scale in expanding current programs
 - Quad Cities is one market

Don't make us reinvent the wheel.

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Recommendations

- Focus on customer satisfaction.
 - Excellence in program delivery
 - Don't start and stop programs to meet budget cycles*Once started, this is a long term commitment.*
- Provide broad goals, not prescriptive requirements.
 - Focus on cost-effective programs and customer satisfaction
 - Don't prescribe programs
 - Don't prescribe budgets or savings goals for all utilities
 - Don't require long-term third party implementation*Give utilities the flexibility to succeed.*

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Recommendations

- Define reasonable rules.
 - Planning requirements
 - Reporting requirements
 - Cost-recovery provisions
 - Reasonable risks and rewards

Let utilities focus on serving customers.
- Take advantage of MidAmerican's experience.
 - Drafting administrative rules
 - Helping other utilities get up learning curve

Let us help.

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Questions?

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Appendix

- Energy Efficiency Programs
- 2004 Spending

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Programs

Nonresidential

- Equipment
- Custom Systems
- BusinessChecksm
- EnergyAdvantage® Analysis
- Efficiency Bidsm
- Commercial New Construction
- Curtailment

Residential

- Equipment
- HomeChecksm
- Low Income
- New Homes
- SummerSaversm

Other

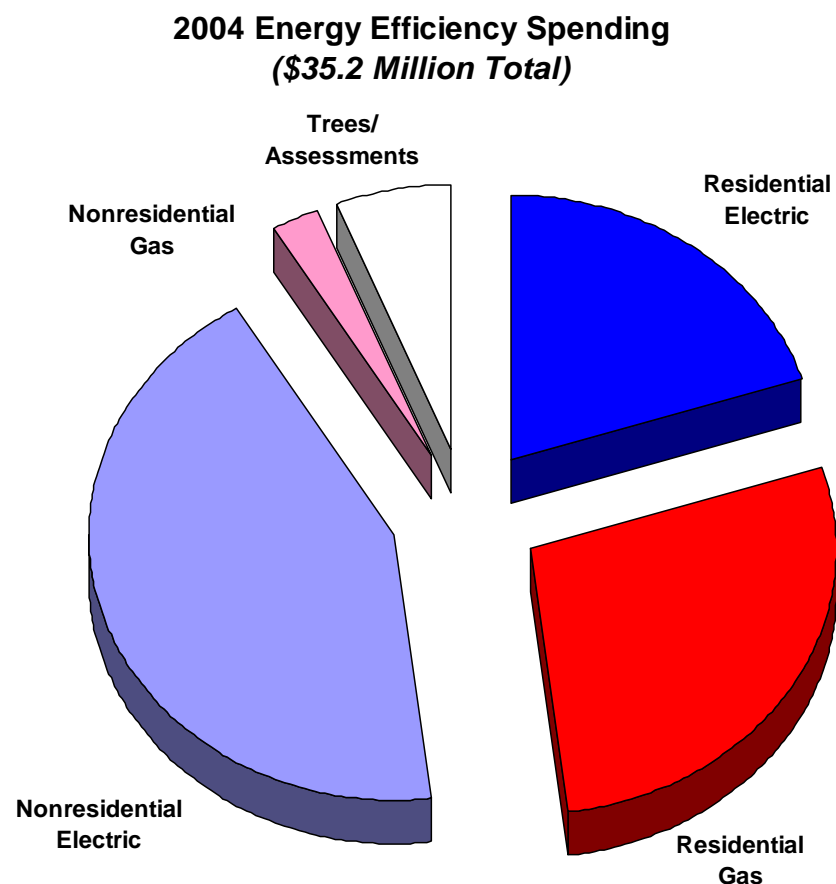
- Trees
- Assessments
 - Iowa Energy Center
 - Iowa Global Warming Center

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2004 Spending

- \$35 million total
 - \$22 million electric
 - \$11 million gas
 - \$2 million trees/assessments
- As % of Iowa revenue
 - 2% of electric revenue
 - 1.5% of gas revenue
- 50% residential/50% nonresidential
- 50% of electric for load management



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